

Charter Township of Caledonia

Kent County, Michigan

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended December 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Caledonia's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$278,178 (1 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$629,189, while net assets of the business-type activities decreased by \$351,011.
- Of the \$28,617,375 total net assets reported, \$6,606,182 (23 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$2,273,463, which represents 259 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township utilizes three types of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$28,617,375. Of this total, \$11,048,042 is invested in capital assets and \$10,963,151 is restricted for various purposes. Consequently, unrestricted net assets were \$6,606,182, or 23 percent of the total.

Condensed financial information Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Other assets	\$6,209,124	\$5,440,492	\$13,076,882	\$13,841,379	\$19,286,006	\$19,281,871
Capital assets	<u>3,454,117</u>	<u>3,602,055</u>	<u>18,706,612</u>	<u>19,031,126</u>	<u>22,160,729</u>	<u>22,633,181</u>
Total assets	<u>9,663,241</u>	<u>9,042,547</u>	<u>31,783,494</u>	<u>32,872,505</u>	<u>41,446,735</u>	<u>41,915,052</u>
Other liabilities	1,321,135	1,259,630	193,225	126,226	1,514,360	1,385,856
Long-term debt	<u>590,000</u>	<u>660,000</u>	<u>10,725,000</u>	<u>11,530,000</u>	<u>11,315,000</u>	<u>12,190,000</u>
Total liabilities	<u>1,911,135</u>	<u>1,919,630</u>	<u>10,918,225</u>	<u>11,656,226</u>	<u>12,829,360</u>	<u>13,575,856</u>
Net assets:						
Invested in capital assets, net of related debt	2,864,117	2,938,055	8,183,925	7,723,196	11,048,042	10,661,251
Restricted	<u>1,127,269</u>	<u>298,543</u>	<u>9,835,882</u>	<u>10,202,308</u>	<u>10,963,151</u>	<u>10,500,851</u>
Unrestricted	<u>3,760,720</u>	<u>3,886,319</u>	<u>2,845,462</u>	<u>3,290,776</u>	<u>6,606,182</u>	<u>7,177,095</u>
Total net assets	<u>\$7,752,106</u>	<u>\$7,122,917</u>	<u>\$20,865,269</u>	<u>\$21,216,280</u>	<u>\$28,617,375</u>	<u>\$28,339,197</u>

Changes in net assets. The Township's total revenues were \$4,466,942 in 2007 compared to \$4,465,490 in 2006 which represents a \$1,452 increase. In 2007, nearly 25 percent of the total revenues came from property taxes while only 12 percent came from state shared revenue. More than 33 percent of the total revenues came from charges for services, primarily from sewer and water utility charges. In 2006, capital contributions represented 13 percent of the total revenues.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all Township functions, covering a wide range of services, totaled \$4,188,764 in 2007. This represents a \$662,038 (19 percent) increase compared to the total cost of \$3,526,726 in 2006. In 2007, almost 53 percent of the Township's costs relate to the provision of utility services. General government and public safety account for 13 and 17 percent of the Township's total costs, respectively.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Program revenues:						
Charges for services	\$ 297,617	\$ 272,428	\$ 1,181,024	\$ 1,059,994	\$ 1,478,641	\$ 1,332,422
Operating grants & contributions	36,720	11,564	-	-	36,720	11,564
Capital grants & contributions	27,640	4,000	566,433	625,911	594,073	629,911
General revenues						
Property taxes	1,096,123	1,167,531	-	-	1,096,123	1,167,531
State shared revenue	537,931	536,435	-	-	537,931	536,435
Interest income	267,993	221,788	277,308	275,030	545,301	496,818
Gain on asset dispositions	91,678	181,089	-	-	91,678	181,089
Other	86,475	109,720	-	-	86,475	109,720
Total revenues	2,442,177	2,504,555	2,024,765	1,960,935	4,466,942	4,465,490
Expenses:						
Legislative	31,446	33,079	-	-	31,446	33,079
General government	532,890	606,291	-	-	532,890	606,291
Public safety	703,616	716,947	-	-	703,616	716,947
Public works	107,284	83,178	-	-	107,284	83,178
Community & economic development	224,291	180,650	-	-	224,291	180,650
Culture & recreation	190,908	40,966	-	-	190,908	40,966
Interest	22,553	31,766	-	-	22,553	31,766
Sewer	-	-	997,759	919,728	997,759	919,728
Water	-	-	1,214,721	721,114	1,214,721	721,114
Inspections	-	-	163,296	193,007	163,296	193,007
Total expenses	1,812,988	1,692,877	2,375,776	1,833,849	4,188,764	3,526,726
Increase (decrease) in net assets	\$ 629,189	\$ 811,678	\$ (351,011)	\$ 127,086	\$ 278,178	\$ 938,764

Governmental activities. Revenues exceeded expenses during each of the past two years, causing the Township's net assets to increase by \$629,189 in 2007 and \$811,678 in 2006. The Township's two primary governmental revenues, property taxes and state shared revenue, have been more than sufficient to cover the costs of governmental operations each of the past two years. The Township has recognized significant interest income and gains on capital asset sales during the past two years which has further increased the net assets of the governmental activities.

The cost of all governmental activities this year was \$1,812,988 in comparison to \$1,692,877 in 2006 which represents a 7 percent increase. After subtracting the direct charges to those who directly benefited from the programs (\$297,617), operating grants (\$36,720), and capital grants (\$27,640), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,404,885.

Business-type activities. Business-type activities decreased the Township's net assets by \$351,011 in 2007 while they increased the net assets by 127,086 in 2006. The decrease in net assets was primarily the result of assessment refunds, in the amount of \$386,994. The Township was able to provide refunds to certain water system customers because the cost of a prior year capital project was less than originally anticipated.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$4,352,807, an increase of \$789,734 in comparison with the prior year. The increase occurred as a result of significant increases in the fund balances of both the General Fund and the Emergency Services Fund as described below. The total fund balances of the governmental funds are unreserved, or available for spending at the Board's discretion.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$2,276,463, which represents 259 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$590,448 during the fiscal year due to substantial interest earnings (\$102,436) and proceeds from the sale of a building (\$101,607).

The Emergency Services Fund experienced an increase in fund balance of \$214,307 and has a fund balance of \$464,245 at the end of the year. The increase occurred because tax revenues exceeded the cost of providing public safety services in the current year. The Township expects to use a substantial amount of the fund balance in the subsequent year to purchase a fire truck.

The Kraft Avenue Fund experienced an increase in fund balance of \$30,478 because current year revenues exceeded current year debt service costs.

Proprietary funds. The Sewer Fund experienced an operating loss of \$292,031 and a decrease in net assets of \$37,641 because sewer rates are not currently set to cover the cost of depreciation of the wastewater treatment infrastructure. Net assets were \$11,421,216 at year end.

The Water Fund experienced an operating loss of \$130,959 and a decrease in net assets of \$318,890. The decrease in net assets was primarily the result of assessment refunds as explained above. Net assets were \$9,249,548 at year end.

General Fund budgetary highlights

Revenues were \$179,891 more than budgeted primarily due to proceeds from the sale of a building, in the amount of \$101,607, that was not contemplated at the time of the budget preparation. General Fund expenditures were \$157,547 less than the amounts appropriated because of lower than expected costs in most departments. These variances, and an unbudgeted transfer out of \$17,607, resulted in a \$319,831 positive budget variance, and a \$590,448 increase in fund balance compared to a budgeted increase of \$270,617.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$22,160,729 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, and sewer and water facilities. Major capital asset events during the current fiscal year included the following:

- The sale of the Alaska Hall building with net proceeds in the amount of \$101,607.
- Water system improvements on Ash Street at a cost of \$128,741.
- Acquisition of various items of equipment at a total cost of \$35,264.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$11,315,000, which represents a decrease of \$875,000 from the prior year. The decrease represents principal payments the Township made on its various bond issues that were all paid in a timely manner. No new debt was issued during 2007. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities totaling \$29,520 represent accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

Economic condition and outlook

The economic condition for Caledonia Township continues to be solid. During a year in which many entities across the State of Michigan struggled with insufficient revenues to meet demands, the Township has remained financially strong and well positioned to address current and future financial demands.

This is not to say, however, that reasons for caution and diligence should be ignored. As can be seen almost everywhere, the rapid growth and development of a few years ago has definitely declined. The taxable value increased 7% from 2006, down from the 8% average years. Preliminary reports for 2008 indicate an only 3% increase. State shared revenues, by far the largest element of general revenues, will remain relatively constant. The Township needs to assure that the increases in expenses of governmental and business type activities do not outpace the revenues to support them.

Interest earnings for 2007 provided a generous addition to overall revenues. However, toward the end of the year, rates started falling dramatically. The 2008 budget did not fully anticipate this decline and will need to be monitored closely throughout the year with respect to interest earnings. Otherwise, revenues can be expected to remain relatively flat.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook (Continued)

Overall expenses for 2007 jumped significantly as a result of anticipated outlays related to parks and road improvements under governmental activities and the refund that was issued related to the northwest water district. Although the year ended with an increase in net assets, it was less than a third the increase recorded for the prior year. Again, the Township will need to pay close attention to undesirable trends going forward.

The General Fund ended the year with a balance of \$2,273,463 which represents 259 percent of the actual General Fund expenditures for the year. This is up from 193% for the prior year. With this in mind, and in an effort to set priorities for available funds, the Board of Trustees continues to review the Township's capital needs - road repair/paving, parks and recreation, technology upgrades, improved office facility. It will be important, however, to maintain sufficient reserves given the continuing uncertain outlook for the state and local economies.

The customer base for sewer and water services continues to grow at a slower pace than in previous years. Cash flows are positive, but revenues remain insufficient to offset depreciation and amortization. Although this has been an ongoing reality, the Township feels that an increase in user rates is not yet indicated.

Long term debt for the utilities is funded primarily by fixed assessments. However, a portion of the 2003 Capital Improvement Bond relies on connection fee revenue from new customers. Although new connections are barely keeping pace with initial projections, the number of pre-payments of fixed assessments combined with new connections has provided sufficient funds to not only meet current obligations but provide some reserve for future payments. This situation continues to require careful monitoring.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Richard Robertson, Township Treasurer
Charter Township of Caledonia
250 Maple Street
Caledonia, MI 49316

Phone: (616) 891-0070

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Charter Township of Caledonia, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



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The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Caledonia, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Caledonia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

June 12, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of Caledonia
STATEMENT OF NET ASSETS
December 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 3,540,658	\$ 6,366,321	\$ 9,906,979
Investments	735,191	-	735,191
Receivables	1,080,567	877,491	1,958,058
Prepaid expenses	12,328	-	12,328
Deposit - fire truck	108,141	-	108,141
Internal balances	255,690	(255,690)	-
Total current assets	<u>5,732,575</u>	<u>6,988,122</u>	<u>12,720,697</u>
Noncurrent assets:			
Receivables	476,549	5,886,447	6,362,996
Bond issuance costs, net of amortization	-	202,313	202,313
Capital assets not being depreciated - land	280,212	-	280,212
Capital assets, net of accumulated depreciation	<u>3,173,905</u>	<u>18,706,612</u>	<u>21,880,517</u>
Total noncurrent assets	<u>3,930,666</u>	<u>24,795,372</u>	<u>28,726,038</u>
Total assets	<u>9,663,241</u>	<u>31,783,494</u>	<u>41,446,735</u>
LIABILITIES			
Current liabilities:			
Payables	100,098	193,225	293,323
Escrow deposits	17,853	-	17,853
Deferred revenue	1,173,664	-	1,173,664
Bonds payable	<u>70,000</u>	<u>815,000</u>	<u>885,000</u>
Total current liabilities	<u>1,361,615</u>	<u>1,008,225</u>	<u>2,369,840</u>
Noncurrent liabilities:			
Compensated absences	29,520	-	29,520
Bonds payable	<u>520,000</u>	<u>9,910,000</u>	<u>10,430,000</u>
Total noncurrent liabilities	<u>549,520</u>	<u>9,910,000</u>	<u>10,459,520</u>
Total liabilities	<u>1,911,135</u>	<u>10,918,225</u>	<u>12,829,360</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,864,117	8,183,925	11,048,042
Restricted for:			
General government	50,589	-	50,589
Public safety	464,245	-	464,245
Debt service	612,435	9,762,782	10,375,217
Unrestricted	<u>3,760,720</u>	<u>2,918,562</u>	<u>6,679,282</u>
Total net assets	<u>\$ 7,752,106</u>	<u>\$ 20,865,269</u>	<u>\$ 28,617,375</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 31,446	\$ -	\$ -	\$ -
General government	532,890	228,532	-	27,640
Public safety	703,616	-	25,000	-
Public works	107,284	22,208	11,720	-
Community and economic development	224,291	16,100	-	-
Recreation and culture	190,908	-	-	-
Interest on long-term debt	<u>22,553</u>	<u>30,777</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,812,988</u>	<u>297,617</u>	<u>36,720</u>	<u>27,640</u>
Business-type activities:				
Sewer	997,759	569,670	-	254,454
Water	1,214,721	451,144	-	311,979
Inspections	<u>163,296</u>	<u>160,210</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,375,776</u>	<u>1,181,024</u>	<u>-</u>	<u>566,433</u>
Totals	<u>\$ 4,188,764</u>	<u>\$ 1,478,641</u>	<u>\$ 36,720</u>	<u>\$ 594,073</u>

General revenues:

Property taxes
State shared revenue
Unrestricted interest income
Cable franchise fees
Gain on dispositions of capital assets
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (31,446)		\$ (31,446)
(276,718)		(276,718)
(678,616)		(678,616)
(73,356)		(73,356)
(208,191)		(208,191)
(190,908)		(190,908)
<u>8,224</u>		<u>8,224</u>
<u>(1,451,011)</u>		<u>(1,451,011)</u>
	\$ (173,635)	(173,635)
	(451,598)	(451,598)
	<u>(3,086)</u>	<u>(3,086)</u>
	<u>(628,319)</u>	<u>(628,319)</u>
<u>(1,451,011)</u>	<u>(628,319)</u>	<u>(2,079,330)</u>
1,096,123	-	1,096,123
537,931	-	537,931
267,993	277,308	545,301
63,626	-	63,626
91,678	-	91,678
<u>22,849</u>	<u>-</u>	<u>22,849</u>
<u>2,080,200</u>	<u>277,308</u>	<u>2,357,508</u>
629,189	(351,011)	278,178
<u>7,122,917</u>	<u>21,216,280</u>	<u>28,339,197</u>
<u>\$ 7,752,106</u>	<u>\$ 20,865,269</u>	<u>\$ 28,617,375</u>

See notes to the financial statements

Charter Township of Caledonia
BALANCE SHEET - governmental funds
December 31, 2007

	<u>Major funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Kraft Avenue</u>	<u>Emergency Services</u>	<u>governmental funds</u>	<u>governmental funds</u>
ASSETS					
Cash	\$ 1,308,021	\$ 60,061	\$ 683,140	\$ 1,489,436	\$ 3,540,658
Investments	669,483	-	-	65,708	735,191
Receivables	465,776	555,974	535,366	-	1,557,116
Deposit - fire truck	-	-	108,141	-	108,141
Due from other funds	255,690	-	-	-	255,690
Total assets	<u>\$ 2,698,970</u>	<u>\$ 616,035</u>	<u>\$ 1,326,647</u>	<u>\$ 1,555,144</u>	<u>\$ 6,196,796</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 35,614	\$ -	\$ 60,778	\$ 106	\$ 96,498
Escrow deposits	17,853	-	-	-	17,853
Deferred revenue	372,040	555,974	801,624	-	1,729,638
Total liabilities	<u>425,507</u>	<u>555,974</u>	<u>862,402</u>	<u>106</u>	<u>1,843,989</u>
Fund balances:					
Unreserved	2,273,463	-	464,245	-	2,737,708
Reserved for debt service	-	60,061	-	-	60,061
Unreserved, reported in nonmajor special revenue funds	-	-	-	1,555,038	1,555,038
Total fund balances	<u>2,273,463</u>	<u>60,061</u>	<u>464,245</u>	<u>1,555,038</u>	<u>4,352,807</u>
Total liabilities and fund balances	<u>\$ 2,698,970</u>	<u>\$ 616,035</u>	<u>\$ 1,326,647</u>	<u>\$ 1,555,144</u>	<u>\$ 6,196,796</u>
Total fund balances					\$ 4,352,807
Amounts reported for governmental activities in the statement of net assets (page 5) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
					3,454,117
Certain assets, such as special assessments receivable, are not available to liquidate liabilities of the current period and, therefore, are deferred in the funds.					
					555,974
Expense deferrals/accruals:					
Prepaid insurance					12,328
Compensated absences					(29,520)
Interest payable					(3,600)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
					(590,000)
Net assets of governmental activities					<u>\$ 7,752,106</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended December 31, 2007

	<i>Major funds</i>		
	<i>General</i>	<i>Kraft Avenue</i>	<i>Emergency Services</i>
REVENUES			
Property taxes	\$ 614,371	\$ -	\$ 746,719
Licenses and permits	63,760	-	-
State grants	537,931	-	-
Charges for services	21,968	-	-
Interest and rentals	102,436	34,581	36,213
Other:			
Sale of capital asset	101,607	-	-
Special assessments	22,208	79,425	-
Miscellaneous	22,849	-	25,000
Total revenues	1,487,130	114,006	807,932
EXPENDITURES			
Legislative	31,446	-	-
General government	504,911	-	-
Public safety	-	-	574,850
Public works	59,620	321	-
Community and economic development	224,291	-	-
Recreation and culture	50,696	-	-
Capital outlay	8,111	-	18,775
Debt service:			
Principal	-	70,000	-
Interest	-	22,953	-
Total expenditures	879,075	93,274	593,625
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	608,055	20,732	214,307
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,746	-
Transfers out	(17,607)	-	-
Total other financing sources (uses)	(17,607)	9,746	-
NET CHANGE IN FUND BALANCES	590,448	30,478	214,307
FUND BALANCES - BEGINNING	1,683,015	29,583	249,938
FUND BALANCES - ENDING	\$ 2,273,463	\$ 60,061	\$ 464,245

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 1,361,090
-	63,760
11,720	549,651
-	21,968
83,103	256,333
-	101,607
-	101,633
-	47,849
<u>94,823</u>	<u>2,503,891</u>
-	31,446
212	505,123
-	574,850
8,778	68,719
-	224,291
139,193	189,889
-	26,886
-	70,000
-	22,953
<u>148,183</u>	<u>1,714,157</u>
<u>(53,360)</u>	<u>789,734</u>
17,607	27,353
<u>(9,746)</u>	<u>(27,353)</u>
<u>7,861</u>	<u>-</u>
(45,499)	789,734
<u>1,600,537</u>	<u>3,563,073</u>
<u>\$ 1,555,038</u>	<u>\$ 4,352,807</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2007

Net change in fund balances - total governmental funds \$ 789,734

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - assets acquired	35,264
Deduct - asset dispositions	(9,929)
Deduct - provision for depreciation	(173,273)

Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets.

Deduct - collections on special assessments receivable	(79,425)
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Principal payments on long-term debt	70,000
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Changes in other assets/liabilities:

Net increase in prepaid insurance	1,088
Net increase in compensated absences	(4,670)
Net decrease in interest payable	<u>400</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 629,189</u>
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Charter Township of Caledonia
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 3,056,848	\$ 3,110,512	\$ 198,961	\$ 6,366,321
Receivables	390,345	487,146	-	877,491
Due from other funds	-	6,390	-	6,390
Total current assets	<u>3,447,193</u>	<u>3,604,048</u>	<u>198,961</u>	<u>7,250,202</u>
Noncurrent assets:				
Receivables	2,855,652	3,030,795	-	5,886,447
Bond issuance costs, net of accumulated amortization	120,780	81,533	-	202,313
Capital assets, net of accumulated depreciation	<u>10,324,144</u>	<u>8,382,468</u>	<u>-</u>	<u>18,706,612</u>
Total noncurrent assets	<u>13,300,576</u>	<u>11,494,796</u>	<u>-</u>	<u>24,795,372</u>
Total assets	<u>16,747,769</u>	<u>15,098,844</u>	<u>198,961</u>	<u>32,045,574</u>
LIABILITIES				
Current liabilities:				
Payables	113,488	75,281	4,456	193,225
Due to other funds	95,152	166,928	-	262,080
Bonds payable	<u>428,000</u>	<u>387,000</u>	<u>-</u>	<u>815,000</u>
Total current liabilities	<u>636,640</u>	<u>629,209</u>	<u>4,456</u>	<u>1,270,305</u>
Noncurrent liabilities - bonds payable	<u>4,689,913</u>	<u>5,220,087</u>	<u>-</u>	<u>9,910,000</u>
Total liabilities	<u>5,326,553</u>	<u>5,849,296</u>	<u>4,456</u>	<u>11,180,305</u>
NET ASSETS				
Investment in capital assets, net of related debt	5,327,011	2,856,914	-	8,183,925
Restricted for debt service	4,217,211	5,545,571	-	9,762,782
Unrestricted	<u>1,876,994</u>	<u>847,063</u>	<u>194,505</u>	<u>2,918,562</u>
Total net assets	<u>\$ 11,421,216</u>	<u>\$ 9,249,548</u>	<u>\$ 194,505</u>	<u>\$ 20,865,269</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary funds**

Year ended December 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Usage fees	\$ 483,427	\$ -	\$ -	\$ 483,427
Metered sales	-	373,548	-	373,548
Licenses and permits	-	-	160,210	160,210
Tower rental	-	76,800	-	76,800
Other	8,100	796	-	8,896
Total operating revenues	<u>491,527</u>	<u>451,144</u>	<u>160,210</u>	<u>1,102,881</u>
OPERATING EXPENSES				
Personnel costs	17,366	17,148	146,002	180,516
Contracted operating and maintenance	431,789	257,959	-	689,748
Repairs and maintenance	40,100	46,056	-	86,156
Utilities	-	38,153	-	38,153
Professional services	11,421	15,174	575	27,170
Miscellaneous	9,642	7,841	16,719	34,202
Depreciation	259,645	193,610	-	453,255
Amortization	13,595	6,162	-	19,757
Total operating expenses	<u>783,558</u>	<u>582,103</u>	<u>163,296</u>	<u>1,528,957</u>
Operating loss	<u>(292,031)</u>	<u>(130,959)</u>	<u>(3,086)</u>	<u>(426,076)</u>
NONOPERATING REVENUES (EXPENSES)				
Special assessment interest	182,496	221,579	-	404,075
Connection fees	71,958	90,400	-	162,358
Debt service charges	78,143	-	-	78,143
Interest revenue	135,994	132,708	8,606	277,308
Assessment refunds	-	(386,994)	-	(386,994)
Interest expense	(214,201)	(245,624)	-	(459,825)
Total nonoperating revenues (expenses)	<u>254,390</u>	<u>(187,931)</u>	<u>8,606</u>	<u>75,065</u>
CHANGE IN NET ASSETS	<u>(37,641)</u>	<u>(318,890)</u>	<u>5,520</u>	<u>(351,011)</u>
NET ASSETS - BEGINNING	<u>11,458,857</u>	<u>9,568,438</u>	<u>188,985</u>	<u>21,216,280</u>
NET ASSETS - ENDING	<u>\$ 11,421,216</u>	<u>\$ 9,249,548</u>	<u>\$ 194,505</u>	<u>\$ 20,865,269</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 479,938	\$ 411,742	\$ 160,210	\$ 1,051,890
Payments to vendors and suppliers	(464,744)	(331,679)	(35,723)	(832,146)
Payments to employees	(14,498)	(14,401)	(123,199)	(152,098)
Net cash provided by operating activities	696	65,662	1,288	67,646
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due to other funds	-	109,342	-	109,342
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections on assessments receivable	304,374	640,853	-	945,227
Collection of special assessment interest	182,496	221,579	-	404,075
Connection fees	71,958	90,400	-	162,358
Debt service charges	78,143	-	-	78,143
Acquisition of capital assets	-	(128,741)	-	(128,741)
Assessment refunds	-	(386,994)	-	(386,994)
Principal payments on capital debt	(418,000)	(387,000)	-	(805,000)
Interest payments on capital debt	(216,504)	(248,021)	-	(464,525)
Net cash provided by (used in) capital and related financing activities	2,467	(197,924)	-	(195,457)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	135,994	132,708	8,606	277,308
NET INCREASE IN CASH	139,157	109,788	9,894	258,839
CASH - BEGINNING	2,917,691	3,000,724	189,067	6,107,482
CASH - ENDING	\$ 3,056,848	\$ 3,110,512	\$ 198,961	\$ 6,366,321

See notes to the financial statements

Charter Township of Caledonia

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended December 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (292,031)	\$ (130,959)	\$ (3,086)	\$ (426,076)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	259,645	193,610	-	453,255
Amortization	13,595	6,162	-	19,757
Increase in receivables	(11,589)	(39,402)	-	(50,991)
Increase in payables	<u>31,076</u>	<u>36,251</u>	<u>4,374</u>	<u>71,701</u>
Net cash provided by operating activities	<u>\$ 696</u>	<u>\$ 65,662</u>	<u>\$ 1,288</u>	<u>\$ 67,646</u>

See notes to the financial statements

Charter Township of Caledonia

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

December 31, 2007

ASSETS

Cash	<u>\$ 1,224,114</u>
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LIABILITIES

Due to other governmental units	<u>\$ 1,224,114</u>
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See notes to the financial statements

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Caledonia, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current year is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Emergency Services Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Kraft Avenue Fund accounts for the financial resources used to finance a street improvement construction project. Revenues are primarily derived from special assessments and interest.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township as an agent for other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 10 years
Vehicles	5 - 20 years
Sewer and water systems	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$56,340	\$59,620	\$ 3,280
	Transfers out	-	17,607	17,607

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ -	\$ -	\$ 200
Deposits	3,540,458	6,366,321	1,224,114	11,130,893
Investments	735,191	-	-	735,191
	<u>\$ 4,275,849</u>	<u>\$ 6,366,321</u>	<u>\$ 1,224,114</u>	<u>\$ 11,866,284</u>

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits (continued):

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2007, \$10,867,277 of the Township's bank balances of \$11,367,577 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 35,027	\$ 182,281	\$ 248,468	\$ -	\$ 465,776
Kraft Avenue Fund	-	-	-	555,974	555,974
Emergency Services Fund	-	-	535,366	-	535,366
Total governmental activities	<u>\$ 35,027</u>	<u>\$ 182,281</u>	<u>\$ 783,834</u>	<u>\$ 555,974</u>	<u>\$ 1,557,116</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,549</u>	<u>\$ 476,549</u>
Business-type activities:					
Sewer Fund	\$ 52,491	\$ -	\$ -	\$ 3,193,506	\$ 3,245,997
Water Fund	56,545	-	-	3,461,396	3,517,941
Total business-type activities	<u>\$ 109,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,654,902</u>	<u>\$ 6,763,938</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,886,447</u>	<u>\$ 5,886,447</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 282,712	\$ -	\$ (2,500)	\$ 280,212
Capital assets being depreciated:				
Shared road costs	771,290	-	-	771,290
Buildings	1,852,381	-	(21,600)	1,830,781
Vehicles	1,306,133	-	-	1,306,133
Equipment	256,315	35,264	(15,000)	276,579
Subtotal	4,186,119	35,264	(36,600)	4,184,783
Less accumulated depreciation:				
Shared road costs	(40,339)	(38,565)	-	(78,904)
Buildings	(164,594)	(38,424)	16,296	(186,722)
Vehicles	(510,943)	(68,330)	-	(579,273)
Equipment	(150,900)	(27,954)	12,875	(165,979)
Subtotal	(866,776)	(173,273)	29,171	(1,010,878)
Capital assets being depreciated, net	3,319,343	(138,009)	(7,429)	3,173,905
Governmental activities capital assets, net	\$ 3,602,055	\$ (138,009)	\$ (9,929)	\$ 3,454,117
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 12,403,200	\$ -	\$ -	\$ 12,403,200
Water system	9,490,147	128,741	-	9,618,888
Buildings and equipment	339,070	-	-	339,070
Subtotal	22,232,417	128,741	-	22,361,158
Less accumulated depreciation:				
Sewer system	(2,077,031)	(248,063)	-	(2,325,094)
Water system	(1,051,709)	(191,991)	-	(1,243,700)
Buildings and equipment	(72,551)	(13,201)	-	(85,752)
Subtotal	(3,201,291)	(453,255)	-	(3,654,546)
Business-type activities capital assets, net	\$ 19,031,126	\$ (324,514)	\$ -	\$ 18,706,612

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activity functions of the Township as follows:

Governmental activities:	
General government	\$ 18,874
Public safety	114,815
Public works	38,565
Recreation and culture	<u>1,019</u>
Total governmental activities	<u>\$ 173,273</u>

NOTE 6 - LONG-TERM LIABILITIES:

At December 31, 2007, long-term liabilities are comprised of the following individual issues:

Governmental activities:	
Bonds payable:	
\$715,000 2005 General Obligation Limited Tax bonds - payable in annual installments ranging from \$55,000 to \$75,000, plus interest at 3.1% to 4.1%; final payment due May 2015	\$ 590,000
Accrued compensated absences	<u>29,520</u>
Total governmental activities	<u>\$ 619,520</u>
Business-type activities:	
Bonds payable:	
\$1,190,000 2001 Sewer system refunding bonds - payable in annual installments ranging from \$65,000 to \$100,000, plus interest at 4.0% to 6.0%; final payment due May 2014	\$ 675,000
\$9,000,000 2001 Public improvement special assessment bonds - payable in annual installments ranging from \$400,000 to \$500,000, plus interest at 3.15% to 6.00%; final payment due November 2020	6,500,000
\$2,650,000 2003 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$175,000, plus interest at 2.5% to 4.5%; final payment due November 2022	2,275,000
\$1,620,00 2004 Sewer system refunding bonds - payable in annual installments ranging from \$100,000 to \$180,000, plus interest at 2.0% to 4.0%; final payment due November 2015	<u>1,275,000</u>
Total business-type activities	<u>\$ 10,725,000</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2005 General obligation bonds	\$ 660,000	\$ -	\$ (70,000)	\$ 590,000	\$ 70,000
Compensated absences	<u>21,301</u>	<u>43,400</u>	<u>(35,181)</u>	<u>29,520</u>	<u>-</u>
Total governmental activities	<u>\$ 681,301</u>	<u>\$ 43,400</u>	<u>\$ (105,181)</u>	<u>\$ 619,520</u>	<u>\$ 70,000</u>
Business-type activities:					
2001 Sewer refunding bonds	\$ 750,000	\$ -	\$ (75,000)	\$ 675,000	\$ 75,000
2001 Public improvement bonds	7,000,000	-	(500,000)	6,500,000	500,000
2003 Capital improvement bonds	2,375,000	-	(100,000)	2,275,000	100,000
2004 Sewer refunding bonds	<u>1,405,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,275,000</u>	<u>140,000</u>
Total business-type activities	<u>\$ 11,530,000</u>	<u>\$ -</u>	<u>\$ (805,000)</u>	<u>\$ 10,725,000</u>	<u>\$ 815,000</u>

At December 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
<u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 70,000	\$ 20,695	\$ 815,000	\$ 436,125
2009	70,000	18,385	875,000	407,575
2010	75,000	15,900	875,000	376,463
2011	75,000	13,219	880,000	348,212
2012	75,000	10,425	885,000	314,688
2013 - 2017	225,000	13,650	4,020,000	1,025,963
2018 - 2022	<u>-</u>	<u>-</u>	<u>2,375,000</u>	<u>330,425</u>
Totals	<u>\$ 590,000</u>	<u>\$ 92,274</u>	<u>\$ 10,725,000</u>	<u>\$ 3,239,451</u>

All debt is secured by the full faith and credit of the Township.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

Payables as of year end for the Township's individual funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 20,445	\$ 15,169	\$ -	\$ 35,614
Emergency Services	40,359	20,419	-	60,778
Nonmajor governmental funds	<u>106</u>	<u>-</u>	<u>-</u>	<u>106</u>
Total governmental activities	<u>\$ 60,910</u>	<u>\$ 35,588</u>	<u>\$ -</u>	<u>\$ 96,498</u>
Business-type activities:				
Sewer	\$ 79,254	\$ -	\$ 34,234	\$ 113,488
Water	36,415	-	38,866	75,281
Inspections	<u>87</u>	<u>4,369</u>	<u>-</u>	<u>4,456</u>
Total business-type activities	<u>\$ 115,756</u>	<u>\$ 4,369</u>	<u>\$ 73,100</u>	<u>\$ 193,225</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Sewer	\$ 88,762
		Water	<u>166,928</u>
General	\$ 255,690		255,690
Water	<u>6,390</u>	Sewer	<u>6,390</u>
Totals	<u>\$ 262,080</u>	Totals	<u>\$ 262,080</u>

The amounts payable to the General Fund from the sewer and water funds represent advances used to finance sewer operating costs, in the amount of \$54,795, water operating costs, in the amount of \$109,342, and capital acquisitions, in the amount of \$91,553. The balances are scheduled to be collected in the subsequent year.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The interfund transfers for the year ended December 31, 2007, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Nonmajor governmental funds	\$ 17,607	General	\$ 17,607
Kraft Avenue	9,746	Nonmajor governmental fund	9,746
Totals	\$ 27,353		\$ 27,353

The transfer to the Township Improvement Fund of \$17,607 represents a set-aside transfer of unrestricted revenues. The transfer to the Kraft Avenue Fund of \$9,746 represents partial funding of debt service costs.

NOTE 9 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. The Township's unavailable revenues consist of special assessments that are being used to finance a road improvement project.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The Township's unearned revenues consist of property taxes levied December 1, 2007, that will finance expenditures of the following year.

At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
General	\$ 372,040	\$ -	\$ 372,040
Emergency Services	801,624	-	801,624
Kraft Avenue	-	55,974	55,974
Totals	\$ 1,173,664	\$ 55,974	\$ 1,229,638

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's compensation to the plan and matches any employee contributions up to 5% of the employee's compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$49,798 for the year ended December 31, 2007.

NOTE 12 - CONTINGENCY:

The Township is contingently liable for payback payments to the developer of the Gordon Grove Special Assessment District. In accordance with the development agreement, the Township must make payback payments when additional customers connect to the utility systems. At December 31, 2007, the Township is contingently liable for payments to the developer of approximately \$537,000. This agreement terminates on July 1, 2028.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Caledonia

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 559,000	\$ 559,000	\$ 614,371	\$ 55,371
Licenses and permits	67,393	67,393	63,760	(3,633)
State grants	554,756	554,756	537,931	(16,825)
Charges for services	24,250	24,250	21,968	(2,282)
Interest and rentals	64,000	64,000	102,436	38,436
Other:				
Sale of capital asset	-	-	101,607	101,607
Special assessments	25,340	25,340	22,208	(3,132)
Miscellaneous	<u>12,500</u>	<u>12,500</u>	<u>22,849</u>	<u>10,349</u>
Total revenues	<u>1,307,239</u>	<u>1,307,239</u>	<u>1,487,130</u>	<u>179,891</u>
EXPENDITURES				
Legislative	<u>35,447</u>	<u>35,447</u>	<u>31,446</u>	<u>4,001</u>
General government:				
Supervisor	35,201	35,201	34,079	1,122
Elections	7,965	7,965	334	7,631
Assessor	85,544	85,544	82,268	3,276
Legal fees	50,000	50,000	46,840	3,160
Clerk	86,931	86,931	72,258	14,673
Board of review	1,742	1,742	1,347	395
Treasurer	66,164	66,164	70,922	(4,758)
Building and grounds	51,606	51,606	42,020	9,586
Cemetery	34,715	34,715	13,441	21,274
General administration	<u>170,254</u>	<u>170,254</u>	<u>141,402</u>	<u>28,852</u>
Total general government	<u>590,122</u>	<u>590,122</u>	<u>504,911</u>	<u>85,211</u>
Public works:				
Street lighting	16,500	16,500	22,435	(5,935)
Drains	25,000	25,000	17,125	7,875
Weed control	<u>14,840</u>	<u>14,840</u>	<u>20,060</u>	<u>(5,220)</u>
Total public works	<u>56,340</u>	<u>56,340</u>	<u>59,620</u>	<u>(3,280)</u>

Charter Township of Caledonia

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 266,828</u>	<u>\$ 266,828</u>	<u>\$ 224,291</u>	<u>\$ 42,537</u>
Recreation and culture:				
Cable television	<u>35,000</u>	<u>35,000</u>	<u>35,125</u>	<u>(125)</u>
Library	<u>16,685</u>	<u>16,685</u>	<u>15,571</u>	<u>1,114</u>
Total recreation and culture	<u>51,685</u>	<u>51,685</u>	<u>50,696</u>	<u>989</u>
Capital outlay	<u>26,200</u>	<u>36,200</u>	<u>8,111</u>	<u>28,089</u>
Total expenditures	<u>1,026,622</u>	<u>1,036,622</u>	<u>879,075</u>	<u>157,547</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>280,617</u>	<u>270,617</u>	<u>608,055</u>	<u>337,438</u>
OTHER FINANCING USES				
Transfer out	<u>-</u>	<u>-</u>	<u>(17,607)</u>	<u>(17,607)</u>
NET CHANGE IN FUND BALANCES	<u>280,617</u>	<u>270,617</u>	<u>590,448</u>	<u>319,831</u>
FUND BALANCES - BEGINNING	<u>1,683,015</u>	<u>1,683,015</u>	<u>1,683,015</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,963,632</u>	<u>\$ 1,953,632</u>	<u>\$ 2,273,463</u>	<u>\$ 319,831</u>

Charter Township of Caledonia

BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 746,179	\$ 746,179	\$ 746,719	\$ 540
Interest	-	-	36,213	36,213
Other - donations	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total revenues	<u>771,179</u>	<u>771,179</u>	<u>807,932</u>	<u>36,753</u>
EXPENDITURES				
Public safety:				
Fire protection	394,322	394,322	303,254	91,068
Police protection	228,707	228,707	271,596	(42,889)
Capital outlay	<u>135,000</u>	<u>135,000</u>	<u>18,775</u>	<u>116,225</u>
Total expenditures	<u>758,029</u>	<u>758,029</u>	<u>593,625</u>	<u>164,404</u>
NET CHANGE IN FUND BALANCES	13,150	13,150	214,307	201,157
FUND BALANCES - BEGINNING	<u>249,938</u>	<u>249,938</u>	<u>249,938</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 263,088</u>	<u>\$ 263,088</u>	<u>\$ 464,245</u>	<u>\$ 201,157</u>

SUPPLEMENTARY INFORMATION

Charter Township of Caledonia**COMBINING BALANCE SHEET - nonmajor governmental funds**December 31, 2007

	<i>Special revenue funds</i>		
	<i>Street Improvement</i>	<i>Parks and Recreation</i>	<i>Public Improvement</i>
ASSETS			
Cash	\$ 450,137	\$ 216,830	\$ 94,268
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 450,137</u>	<u>\$ 216,830</u>	<u>\$ 94,268</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ -	\$ -	\$ -
Fund balances - unreserved, undesignated	<u>450,137</u>	<u>216,830</u>	<u>94,268</u>
Total liabilities and fund balances	<u>\$ 450,137</u>	<u>\$ 216,830</u>	<u>\$ 94,268</u>

<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
<i>Township Improvement</i>	<i>Library</i>	<i>Cemetery</i>	
\$ 157,723	\$ 519,783	\$ 50,695	\$ 1,489,436
-	65,708	-	65,708
<u>\$ 157,723</u>	<u>\$ 585,491</u>	<u>\$ 50,695</u>	<u>\$ 1,555,144</u>
\$ -	\$ -	\$ 106	\$ 106
<u>157,723</u>	<u>585,491</u>	<u>50,589</u>	<u>1,555,038</u>
<u>\$ 157,723</u>	<u>\$ 585,491</u>	<u>\$ 50,695</u>	<u>\$ 1,555,144</u>

Charter Township of Caledonia

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2007

	Special revenue funds		
	<u>Street Improvement</u>	<u>Parks and Recreation</u>	<u>Public Improvement</u>
REVENUES			
State grant	\$ 11,720	\$ -	\$ -
Interest	17,680	15,066	4,064
Total revenues	<u>29,400</u>	<u>15,066</u>	<u>4,064</u>
EXPENDITURES			
General government	-	-	-
Public works	8,778	-	-
Recreation and culture	-	114,193	-
Total expenditures	<u>8,778</u>	<u>114,193</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,622</u>	<u>(99,127)</u>	<u>4,064</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	(9,746)	-	-
Total other financing sources (uses)	<u>(9,746)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	10,876	(99,127)	4,064
FUND BALANCES - BEGINNING	<u>439,261</u>	<u>315,957</u>	<u>90,204</u>
FUND BALANCES - ENDING	<u>\$ 450,137</u>	<u>\$ 216,830</u>	<u>\$ 94,268</u>

<i>Special revenue funds</i>			<i>Total nonmajor governmental funds</i>
<i>Township Improvement</i>	<i>Library</i>	<i>Cemetery</i>	
\$ -	\$ -	\$ -	\$ 11,720
7,636	36,461	2,196	83,103
7,636	36,461	2,196	94,823
-	-	212	212
-	-	-	8,778
-	25,000	-	139,193
-	25,000	212	148,183
7,636	11,461	1,984	(53,360)
17,607	-	-	17,607
-	-	-	(9,746)
17,607	-	-	7,861
25,243	11,461	1,984	(45,499)
132,480	574,030	48,605	1,600,537
\$ 157,723	\$ 585,491	\$ 50,589	\$ 1,555,038

June 12, 2008

To the Board of Trustees
Charter Township of Caledonia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia for the year ended December 31, 2007, and have issued our report thereon dated June 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Caledonia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of Caledonia during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors of the Charter Township of Caledonia. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of Caledonia as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Caledonia's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Caledonia and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall A.C.